PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Distribution **DATE:** February 15, 1996

FROM: Market Information / Chris Enger

SUBJECT: **Nielsen Retail Pricing Update - 2/3/96 (week-ending)**

SUMMARY

Following the completion of major fourth quarter promotional programs, money-off incidence and average prices have returned to third quarter base levels.

- The average pack price gap between Marlboro and the Lowest Discount brand decreased -1 point to 59¢, as reduced money-off promotional support on Doral, GPC and Basic increased the Lowest Discount average pack price.
- Marlboro's average pack price disadvantage (≥10¢) with Camel fell this week as RJR reduced money-off promotional support on Camel.
- Newport increased money-off promotional incidence to its highest level since w/e 11/18/95.

Prices and Gaps

- In **C-stores**, for the third consecutive week Marlboro's average pack price remained stable at $1.95. The Lowest Discount brand's average pack price increased +1¢ to $1.36 as GPC, Doral and Basic reduced money-off support this week. The resulting price gap decreased -1 point to 59¢ or 43%.

  Regionally, on a four week basis, the price gap increased in all regions (corresponding with the completion of the Holiday Bonus '95 Flex Fund Program), while this week in Region 3, the price gap decreased -6 points as RJR PL, Basic and Doral reduced money-off support.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	LOWEST							
	MARL	DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$1.95	$1.36	$0.59	43.4%	-$0.01	-1.0%	$0.04	2.8%
R1	$2.11	$1.56	$0.55	35.3%	$0.00	-0.2%	$0.02	1.2%
R2	$1.78	$1.17	$0.61	52.1%	-$0.01	-1.3%	$0.04	3.5%
R3	$1.90	$1.33	$0.57	42.9%	-$0.06	-6.3%	$0.04	3.3%
R4	$1.91	$1.34	$0.57	42.5%	-$0.01	-0.8%	$0.04	2.4%
R5	$2.13	$1.49	$0.64	43.0%	$0.00	0.3%	$0.03	1.4%

- In **Supermarkets** (w/e 1/27), week-to-week, Marlboro ($17.04) and the Lowest Discount brand ($12.66) average carton prices remained relatively stable with a price gap of $4.38 or 35%. However, on a four week basis, Marlboro and the Lowest Discount average carton prices increased +50¢ and +13¢, respectively, netting a 37¢ or 2.5% increase in the price gap (resulting primarily from the completion of the 1995 Holiday Bonus Flex Fund program).

					Chg. vs. WAGO		4WK vs. 4WAGO	
	LOWEST							
	MARL	DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$17.04	$12.66	$4.38	34.6%	$0.02	0.2%	$0.37	2.5%
R1	$18.57	$14.79	$3.78	25.6%	-$0.07	-0.3%	-$0.12	-1.2%
R2	$15.23	$11.00	$4.23	38.5%	$0.09	0.9%	$0.58	4.8%
R3	$16.82	$12.51	$4.31	34.5%	$0.02	0.2%	$0.32	1.7%
R4	$17.11	$12.79	$4.32	33.8%	$0.07	0.7%	$0.32	1.8%
R5	$18.68	$13.50	$5.18	38.4%	-$0.05	-0.5%	$0.62	5.2%

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Source: https://www.industrydocuments.ucsf.edu/docs/fhnm0004

Marlboro's Price Disadvantage

- In **C-stores**, Marlboro's price disadvantage with Camel decreased -3 points versus week-ago and -2 points on a four week basis to 24% of stores (its lowest level since the w/e 10/28/95), as Camel reduced money-off promotional support to 33% of stores.

- Incidence of Marlboro price disadvantage with Winston remained relatively stable on a one and a four week basis.

- Incidence of Marlboro price disadvantage with Newport was up +2 points versus week-ago and +7 points on a four week basis as Newport increased money-off promotional support to 29% of stores (its highest level since w/e 11/18).

	NO DISAD	10¢-19¢	20+¢	ANY DISAD	AVG $ DIFF*
Marlboro vs Camel	75.8%	7.6%	16.6%	24.2%	$0.30
Chg vs Last	2.8%	-0.6%	-2.2%	-2.8%	$0.01
4WK vs 4WAGO	1.9%	-2.8%	0.9%	-1.9%	$0.01
Marlboro vs Winston	76.0%	9.6%	14.4%	24.0%	$0.25
Chg vs Last	-0.6%	2.7%	-2.1%	0.6%	($0.02)
4WK vs 4WAGO	0.5%	-0.3%	-0.3%	-0.5%	($0.01)
Marlboro vs Newport	73.3%	4.1%	22.6%	26.7%	$0.34
Chg vs Last	-2.4%	0.1%	2.3%	2.4%	($0.01)
4WK vs 4WAGO	-6.7%	3.9%	2.8%	6.7%	($0.02)

* Avg $ Disadvantage among stores with a disadvantage ≥ 10¢

Basic's Price Disadvantage

- In **C-stores**, incidence of Basic's price disadvantage (>10¢) with the Lowest Discount brand remained stable this week at 71% of stores, while increasing on a 4 week basis as Basic money-off activity returned to base Flex Fund levels.

	% STRS > 10¢	CHG VS LAST	4WK VS 4WAGO	AVG PRC DIFF	CHG VS LAST	4WK VS 4WAGO
BASIC vs. LOWEST DISC	70.6%	0.0%	7.2%	$0.34	$0.01	$0.01
BASIC vs. GPC	51.9%	0.4%	6.8%	$0.24	$0.01	-$0.01
BASIC vs. RJR PL	86.7%	4.8%	6.7%	$0.42	$0.01	$0.04
BASIC vs. DORAL	39.9%	-1.0%	3.8%	$0.26	$0.01	$0.00

<=99¢ Incidence

- ≤99¢ incidence decreased -1 point vs week-ago to 17% of stores as GPC continued to decrease its presence at this price point.

- **On a four week basis**, 99¢ incidence was up +1 point driven by increased RJR PL promotional activity (primarily Austin).

	<=99¢	Chg vs. WAGO	4WK vs. 4 WAGO
NTNL	16.9%	-1.3%	1.2%
R1	4.5%	1.5%	0.6%
R2	36.3%	-3.0%	3.3%
R3	11.3%	-6.3%	0.4%
R4	18.4%	1.1%	0.4%
R5	6.2%	1.5%	0.4%

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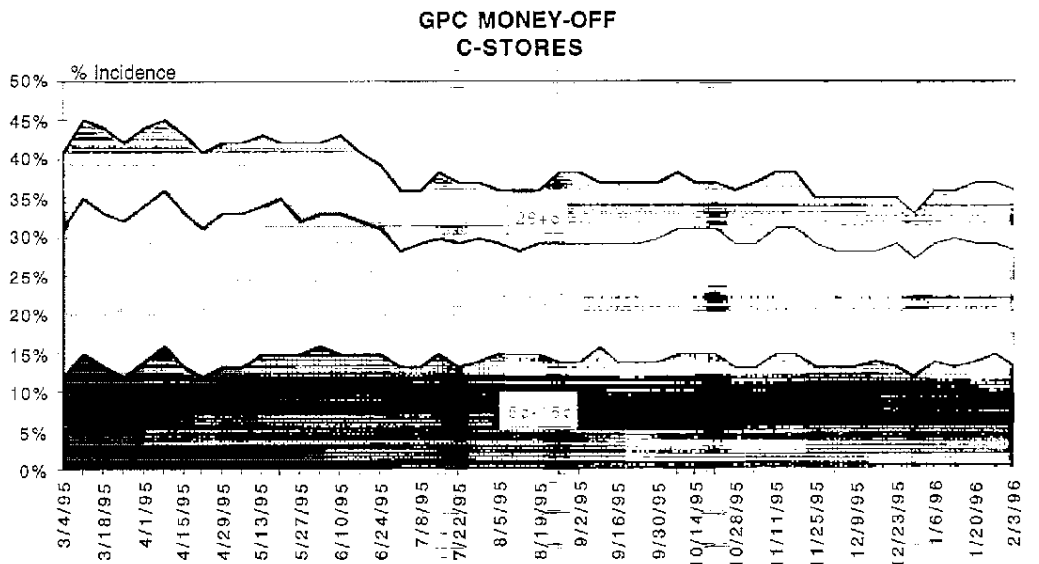
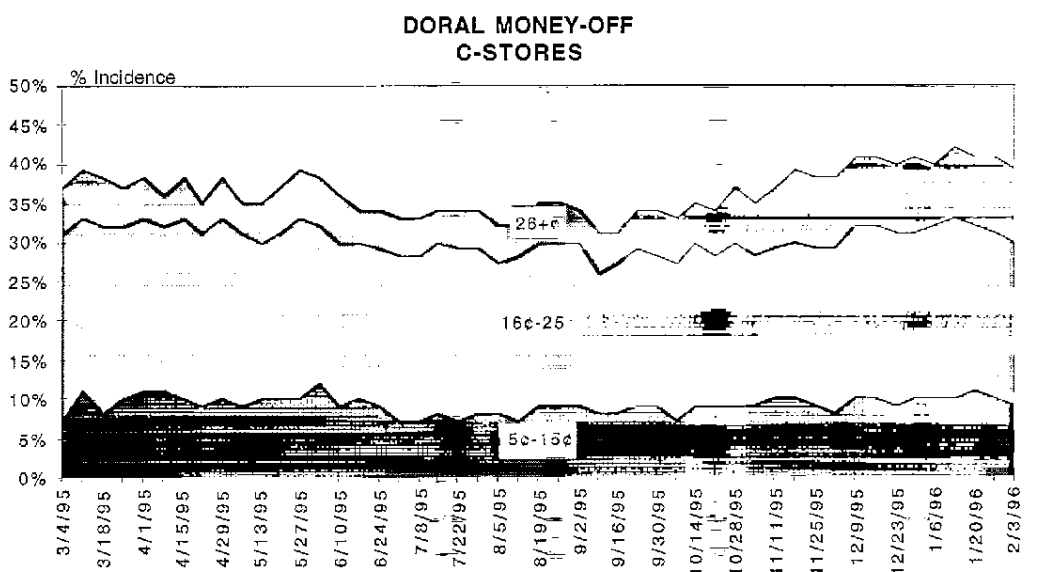
EMERGING TRENDS

- As a result of decreased use of relatively high money-off pack deals (26+¢), GPC's average money-off incidence in C-stores has declined -6 points since 4w/e 3/25/95 to 37% of stores.

  Conversely, Doral's elevated 4th quarter '95 and 1st quarter '96 money-off levels have largely come from increased 26+¢-off deals.





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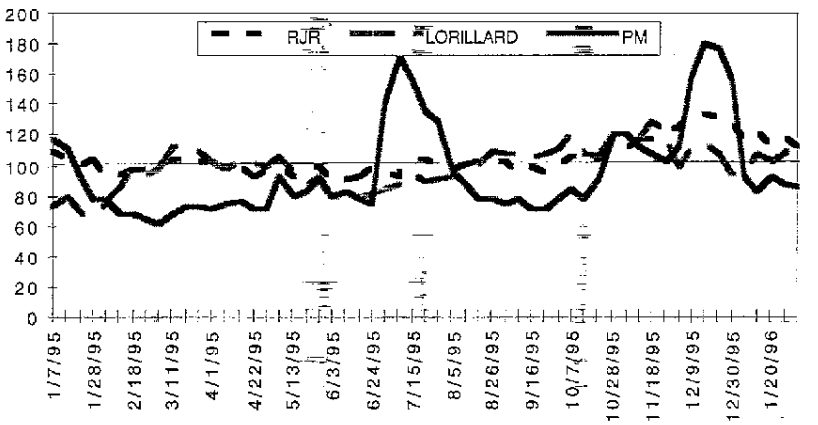
- In C-stores, Lorillard was the only manufacturer to increase its money-off activity to date in 1996, with its money-off index advancing +12 points versus December '95 to 118. PM (-83 points) and RJR (-19 points) money-off levels have both been on the decline since December.

REYNOLDS VS PM VS NEWPORT MONEY-OFF INDEX
C-STORES



Note: Index base period 3rd quarter 1995

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P. Dodd
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